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11 JAN 1965

Lt. General Alva R. Fitch, USA
Deputy Director, Defense Intelligence Agency

Dear Alva:

We share your view, and that of Generals Wheeler and Goodpaster, that the question of Communist China's economic capability to support an advanced weapons program deserves careful and continuing intelligence assessment.

We propose to incorporate our findings in this matter in NIE 13-3-65, "Communist China's Military Establishment," scheduled for 10 March. The problem is one which has already been examined to some extent in the preparation of the NIE to date, but we will immediately generate supplementary Terms of Reference, asking the USIB agencies for such additional, explicit contributions as they can make at this time. The March NIE will represent a first cut at the question. Depending on the thoroughness and quality of the treatment we are able to give this question in the NIE, we can decide at that time on the scope and scheduling of a subsequent National Intelligence Estimate on the Chinese Communist economy.

I trust that these suggestions will meet with your approval, and that of Generals Wheeler and Goodpaster.

With every good wish,

(Signed) JOHN A. McCONE

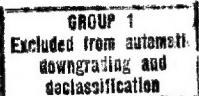
John A. McCone
Director

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DEFENSE INTELLIGENCE AGENCY
WASHINGTON, D. C. 20301

S-0003/AP-2

5 January 1965

The Honorable John McCone
Director of Central Intelligence
Washington, D. C. 20505

Dear Mr. McCone:

A few days ago General Goodpaster raised the question of the need for a new look at the Communist Chinese economy.

General Goodpaster said that General Wheeler was particularly interested in the present industrial capabilities of Communist China. He felt that with the appearance of an increased number of more advanced weapons that the time was ripe for a National Intelligence Estimate that would evaluate the capability of the economy to produce these. General Goodpaster was of the opinion that, although the agricultural sector of the Communist Chinese economy had received a severe setback and the industrial sector had been severely affected as well, we might have underestimated the capability of the military supporting areas of the industrial sector to produce advanced weapons.

I realize how spotty our information has been concerning the Communist Chinese economy, but I would like to see an effort made to re-examine the Communist Chinese economy at an early date. Such an effort might take the form of a National Intelligence Estimate or an expansion of the terms of reference of the Estimate of "Communist China's Military Establishment" (NIE 13-3-65) scheduled for March.

Please let me have your reaction to this proposal.

Sincerely,

ALVA R. FITCH
Lieutenant General, USA
Deputy Director

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